
Tobin & Co.

Suttons Bay Township

Leelanau County, Michigan

Audit Report

For the Year Ended March 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Suttons Bay Township	County Leelanau
Fiscal Year End 3/31/07	Opinion Date 9/12/07	Date Audit Report Submitted to State 9/28/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

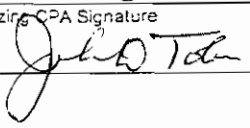
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ **NO** ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Tobin & Co., P.C.		Telephone Number 231-947-0151	
Street Address 400 E. Eighth St.		City Traverse City	State MI
Zip 49686		License Number 1101005221	
Authorizing CPA Signature 		Printed Name JOHN D TOBIN	

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INTRODUCTORY SECTION

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Comments and Recommendations

We have audited the basic financial statements of Suttons Bay Township, Leelanau County, for the year ended March 31, 2007 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Suttons Bay Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

General

The records were maintained in excellent condition by your Clerk and Treasurer. Recorded revenues were deposited timely and intact, journals and ledgers were properly posted, Board minutes were in good order, and supporting documents and follow-up procedures appeared to be in good order. The efforts of these officials are commendable.

Budgets and Procedures

The Township prepared and formally adopted budgets for its General and Special Revenue Funds. During the year, five cost center expenditures exceeded budgeted amounts.

General Fund

The General Fund is presented on Schedule 1. The fund balance at March 31, 2007 was \$410,421. Revenues and expenditures amounted to \$820,414 and \$748,331, respectively.

Road, Parks and General Improvement Fund

This fund, presented on Schedules 4 and 5, was established to account for monies set aside for purposes implied in the fund title. During the year, the fund realized earned interest of \$701. There were no expenditures, and the fund balance at March 31, 2007 was \$22,463.

Fire Vehicle Replacement Fund

This fund, presented on Schedules 4 and 5, was established to account for monies set aside for future fire vehicle purchases. During the year the fund was discontinued.

Fire Building Replacement Fund

This fund, presented in Schedules 4 and 5, was established to set aside funds for future replacement of the fire building. During the year the fund was discontinued.

Township Hall Fund

This fund, presented on Schedule 2, was established to set aside funds for a future township hall. The fund earned \$4,404 in interest during the year. The fund balance at March 31, 2007 was \$155,930.

Special Election Millage Fund

The Special Election Millage Fund, presented on Schedule 3, is used to account for millage collected to fund fire authority operations and debt service of the Building Authority. During the year property taxes collected were \$108,143, and the fund balance at March 31, 2007 was \$71,936.

Cemetery Fund

During the year the Cemetery Fund, presented on Schedules 4 and 5, was established to accumulate funds for Cemetery maintenance. There was one lot sale during the year, and there were no expenditures during the year. The ending fund balance at March 31, 2007 was \$2,527.

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Comments and Recommendations

Property Tax Collections

Property taxes collected were distributed to taxing units prior to the end of the fiscal year. Receipts were filed in order of payment, deposits were made timely and intact, and distributions were made in a timely manner. This function was handled efficiently by the Treasurer.

Schedule 7 reflects the amount levied, collected and returned delinquent for the 2006 property tax levy.

Insurance and Surety Bond Coverage

Records indicate that the Township has workmen's compensation, liability and other insurance coverage and that coverage was reviewed during the audit year. The Clerk, Treasurer, and their deputies have surety bond coverage.

Other Data

We are pleased to note the use of interest bearing depository accounts by the Treasurer. This resulted in earned interest of over \$19,000 during the year. This is a significant amount of interest earned, and the continued use of interest bearing accounts is encouraged.

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field auditor in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

To the Township Board
Suttons Bay Township
Leelanau County
Suttons Bay, Michigan 49682

We have audited the accompanying financial statements of the governmental activities and each major fund of Suttons Bay Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major fund of Suttons Bay Township at March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Suttons Bay Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Tobin & Co., P.C.

TOBIN & CO., P.C.
Certified Public Accountants
September 12, 2007

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SUTTONS BAY TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

As the Township Administrative Officials of the Suttons Bay Township, Leelanau County, we offer readers of the township's financial statements this narrative overview and analysis of the financial activities of Suttons Bay Township for the fiscal year ended March 31, 2007.

Financial Highlights

The assets of Suttons Bay Township exceeded its liabilities at the close of the most recent fiscal year by \$934,784. Of this amount, \$738,149 may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$663,277, an increase of \$19,454 in comparison with the prior year. The total amount, \$663,277, is available for spending at the Township's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$410,421, or 54% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Suttons Bay Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

1. Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-section business.

The **statement of net assets** presents information on all of the Township's assets and liabilities, with the difference between the two reported as **net assets**. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The **statement of activities** presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused credits, and used but not paid expenses).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include: General Government, Public Safety, Public Works, and Recreation and Culture. Suttons Bay Township does not have any business-type activities (examples would include water and sewer, golf courses, etc.).

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Suttons Bay Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Suttons Bay Township are categorized as governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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Suttons Bay Township maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Township Hall Fund, which are considered to be major funds. All Township government activities are included in these six funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

3. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

General Fund Analysis and Highlights

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance was \$410,421. Unreserved fund balance represents 54% of total general fund expenditures for the year.

The fund balance of the Township's general fund increased by \$72,083 during the current fiscal year.

Differences between the original budget and the final amended budget were minimal. For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Analysis of Balances and Transaction of the Other Township Funds

The Township Hall Fund was created to set aside funds for a township hall. The fund balance at March 31, 2007 was \$155,930.

The Fire Vehicle Replacement Fund was created to accumulate funds for future fire vehicle purchases. The fund was discontinued during the year as was the Fire Building Replacement Fund.

The Special Election Millage Fund is used to collect taxes levied to support the Suttons Bay-Bingham Fire Authority. The balance in the fund at March 31, 2007 was \$71,936.

Condensed Financial Information

Net Assets		3/31/07
Current Assets		\$ 737,949
Capital Assets		<u>196,835</u>
Total Assets		934,784
Current Liabilities		<u>-</u>
Total Liabilities		<u>-</u>
Net Assets:		
Investment in Capital and Intangible Assets		196,835
Restricted		-
Unrestricted		<u>737,949</u>
Total Net Assets		<u>\$ 934,784</u>

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Activities

	<u>3/31/07</u>
Program Revenues:	
Charges for Services	\$ 63,705
General Revenues:	
Property Taxes	691,937
State Shared Revenues	169,633
Other	<u>26,496</u>
Total Revenues	951,771
Expenses:	
Legislative	45,244
General Government	153,093
Public Safety	652,245
Public Works	11,840
Recreation and Cultural	<u>61,580</u>
Total Expenses	<u>924,002</u>
Change in Net Assets	<u>\$ 27,769</u>

Capital Assets

The Township's investment in capital assets for its governmental activities as of March 31, 2007, amounts to \$196,835. This investment in capital assets includes: several parcels of land and Office Furniture and Equipment. This is the first year that the total Township's investment in capital assets has been assessed and reported. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful lives. This fiscal year the amount by which depreciation exceeded capital outlays was \$3,425.

Cash Assets

At the end of the current fiscal year, the Township had \$663,277 in cash and other spendable assets. Of this amount, nearly all was held in Money Market Funds and was earning interest; the remainder is held in the Township's checking accounts. The Township is limited by State law in how it can invest these funds, and we have made no changes in our investment strategy in several years.

Pension Plan

Township elected officials have the option of having the Township pay Social Security taxes or to join our pension plan. The Township makes contributions equal to 11% of each employee's wage to Municipal Retirement Systems, Inc. This is an expensed item in the budget and totaled \$7,674 for the fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Suttons Bay Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Richard Bahle, Supervisor, Suttons Bay Township, 321 N. St. Joseph, Suttons Bay, MI 49682 (231-271-2722)

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Suttons Bay Township
Statement of Net Assets
March 31, 2007

Primary Government
Governmental
Activities
And Total

Assets

Cash		\$ 663,277
Delinquent Taxes Receivable		74,672
Capital Assets:		
Land	59,386	
Other Capital Assets, Net of Depreciation	<u>137,449</u>	
Total Capital Assets		<u>196,835</u>
Total Assets		<u>934,784</u>

Liabilities

Total Liabilities		<u>-</u>
-------------------	--	----------

Net Assets

Invested in Capital and Intangible Assets, Net of Related Debt		196,835
Unrestricted		<u>737,949</u>
Total Net Assets		<u>\$ 934,784</u>

See Accompanying Notes to Basic Financial Statements

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Suttons Bay Township Statement of Activities March 31, 2007

Functions/Programs	Program Revenues			Governmental Activities and Total
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Legislative	\$ 45,244	\$ -	\$ -	\$ (45,244)
General Government	153,093	9,262	-	(143,831)
Public Safety	652,245	50,267	-	(601,978)
Public Works	11,840	4,176	-	(7,664)
Recreation and Culture	<u>61,580</u>	<u>-</u>	<u>-</u>	<u>(61,580)</u>
Total Governmental Activities	<u>\$ 924,002</u>	<u>\$ 63,705</u>	<u>\$ -</u>	<u>(860,297)</u>
General Revenues:				
Property Taxes				691,937
Grants and Contributions Not Restricted to Specific Programs				169,633
Unrestricted Investment Earnings				19,202
Miscellaneous				<u>7,294</u>
Total General Revenues				888,066
Change in Net Assets				27,769
Net Assets – Beginning				<u>907,215</u>
Net Assets – Ending				<u>\$ 934,984</u>

See Accompanying Notes to Basic Financial Statements

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Suttons Bay Township Balance Sheet Governmental Funds March 31, 2007

	<u>General</u>	<u>Township Hall</u>	<u>Special Election Millage Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash	\$ 410,421	\$ 155,930	\$ 71,936	\$ 24,990	\$ 663,277
Delinquent Taxes Receivable	<u>61,363</u>	<u>-</u>	<u>13,309</u>	<u>-</u>	<u>74,672</u>
Total Assets	<u>\$ 471,784</u>	<u>\$ 155,930</u>	<u>\$ 85,245</u>	<u>\$ 24,990</u>	<u>\$ 737,949</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Deferred Revenue	\$ 61,363	\$ -	\$ 13,309	\$ -	\$ 74,672
Total Liabilities	<u>61,363</u>	<u>-</u>	<u>13,309</u>	<u>-</u>	<u>74,872</u>
Fund Balances:					
Unreserved	<u>410,421</u>	<u>155,930</u>	<u>71,936</u>	<u>24,990</u>	<u>663,277</u>
Total Fund Balances	<u>410,421</u>	<u>155,930</u>	<u>71,936</u>	<u>24,909</u>	<u>663,277</u>
Total Liabilities and Fund Balances	<u>\$ 471,784</u>	<u>\$ 155,930</u>	<u>\$ 85,245</u>	<u>\$ 24,990</u>	
Amounts reported for governmental activities on the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					196,835
Property taxes receivable are not deferred in the statement of net assets.					<u>74,672</u>
Net assets of governmental activities.					<u>\$ 934,784</u>

See Accompanying Notes to Basic Financial Statements

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Suttons Bay Township Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended March 31, 2007

	General	Township Hall	Special Election Millage Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Taxes	\$ 572,054	\$ -	\$ 108,143	\$ -	\$ 680,197
State Grants	169,633	-	-	-	169,633
Charges for Services	63,505	-	-	200	63,705
Interest and Rents	12,087	4,404	1,220	1,491	19,202
Other	<u>3,135</u>	<u>-</u>	<u>183</u>	<u>3,976</u>	<u>7,294</u>
Total	<u>820,414</u>	<u>4,404</u>	<u>109,546</u>	<u>5,667</u>	<u>940,031</u>
<u>Expenditures</u>					
Legislative	45,244	-	-	-	45,244
General Government	117,680	-	-	-	117,680
Public Safety	491,839	-	104,670	55,736	652,245
Public Works	-	-	-	11,840	11,840
Recreation and Cultural	61,580	-	-	-	61,580
Other	25,287	-	-	-	25,287
Capital Outlay	<u>6,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,701</u>
Total	<u>748,331</u>	<u>-</u>	<u>104,670</u>	<u>67,576</u>	<u>920,577</u>
<u>Excess Revenues (Expenditures)</u>	<u>72,083</u>	<u>4,404</u>	<u>4,876</u>	<u>(61,909)</u>	<u>19,454</u>
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In	-	-	-	6,825	6,825
Operating Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,825)</u>	<u>(6,825)</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	<u>72,083</u>	<u>4,404</u>	<u>4,876</u>	<u>(61,909)</u>	<u>19,454</u>
Fund Balance – Beginning of Year	<u>338,338</u>	<u>151,526</u>	<u>67,060</u>	<u>86,899</u>	
Fund Balance – End of Year	<u>\$ 410,421</u>	<u>\$ 155,930</u>	<u>\$ 71,936</u>	<u>\$ 24,990</u>	
Governmental funds defer property tax revenues received more than sixty days after the year end as unavailable financial resources for the fund financial statements. In the statement of activities they are not deferred. This is the change in the deferral during the year.					11,740
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets over their estimated useful lives is reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.					<u>(3,425)</u>
Change in net assets of governmental activities.					<u>\$ 27,769</u>

See Accompanying Notes to Basic Financial Statements

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Suttons Bay Township Statement of Fiduciary Net Assets March 31, 2007

<u>Assets</u>	<u>Agency Funds</u>
Cash and Investments	<u>\$ 5,560</u>
Total Assets	<u>5,560</u>
 <u>Liabilities</u>	
Due to Other Funds	
Undistributed Taxes and Interest	<u>5,560</u>
Total Liabilities	<u>5,560</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Basic Financial Statements

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Suttons Bay Township Notes to Financial Statements March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Suttons Bay Township is a general law township located in Leelanau County. Population as of the 2000 census was 2,982, and the current state equalized valuation for taxable property is \$280,980,227 and the taxable value is \$188,039,926.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

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Suttons Bay Township Notes to Financial Statements March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Tobin & Co.

Suttons Bay Township Notes to Financial Statements March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets (Continued)

Assets capitalized have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land Improvements	10 – 20 years
Buildings	25 – 40 years
Building Improvements	5 – 10 years
Furniture and Fixtures	3 – 10 years
Office Equipment	5 years

F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	SEV	Taxable Value	Millage Rate
General Operating	\$280,980,227	\$188,039,926	.5813
Fire Operations	\$280,980,227	\$188,039,926	1.8714
Fire and Rescue Building	\$280,980,227	\$188,039,926	.6000

G. Investments

At March 31, 2007, the Township had no investments.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tobin & Co.

Suttons Bay Township Notes to Financial Statements March 31, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at March 31, 2007.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2007, expenditures in five cost centers exceeded the budgets.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Township had \$893,368 deposited with local financial institutions at March 31, 2007 with a carrying value of \$674,836. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$696,229 of uninsured deposits at March 31, 2007.

Tobin & Co.

Suttons Bay Township Notes to Financial Statements March 31, 2007

NOTE 4 - CAPITAL/INTANGIBLE ASSETS

	<u>3/31/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>3/31/05</u>
Governmental Activities:				
Land and Improvements	\$ 59,386	\$ -	\$ -	\$ 59,386
Buildings and Improvements	116,498	-	-	116,498
Furniture, Vehicles and Equipment	<u>76,416</u>	<u>6,701</u>	<u>-</u>	<u>83,117</u>
Total	252,300	6,701	-	259,001
Less Accumulated Depreciation	<u>(52,040)</u>	<u>(10,126)</u>	<u>-</u>	<u>(62,166)</u>
Governmental Activities Capital Assets, Net	<u>\$ 200,260</u>	<u>\$ (3,425)</u>	<u>\$ -</u>	<u>\$ 196,835</u>

NOTE 5 - LONG-TERM DEBT

The Township has no long-term debt and no such borrowing is anticipated in the near future.

NOTE 6 - LOANS AND TRANSFERS BETWEEN FUNDS

There were no inter-fund loans, advances or transfers during the audit year.

NOTE 7 - INVENTORIES

Suttons Bay Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

NOTE 8 - RETIREMENT PLAN

The Township participates in a defined pension plan for Michigan Township employees through Municipal Retirement Systems, Inc. By Board resolution, the Township pays a contribution of 11% of annual compensation. The plan covers all elected officials. The Township clerk is the plan administrator. Township contributions to the plan were \$7,674. All costs are paid by the Township. Covered payroll was \$70,652 for the 2006-2007 plan year out of a total payroll of \$139,138.

NOTE 9 - CONTINGENT LIABILITIES

Township officials are aware of no contingent liabilities as of March 31, 2007.

NOTE 10- COMPENSATED ABSENCES

The Township does not provide for the payment to employees for sick leave, accumulated leave, etc.

NOTE 11- RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

SUPPLEMENTAL DATA SECTION

Tobin & Co.

Suttons Bay Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2007

Schedule I
Page 1

Revenues	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Taxes:				
Current Taxes	\$ 110,000	\$ 110,000	\$ 96,217	\$ (13,783)
Delinquent Taxes	-	-	15,528	15,528
Fire Operations	470,000	470,000	309,749	(160,251)
Fire Building	100,000	100,000	99,308	(692)
Administration Fees	52,500	52,500	51,252	(1,248)
State Grants:				
State Shared Revenues	167,308	167,308	163,277	(4,031)
Metro Act	6,000	6,000	6,356	356
Charges for Services:				
Fees and Permits	5,000	5,000	3,724	(1,276)
Summer Tax Collection Fee	10,000	10,000	9,262	(738)
Zoning Contracts	21,910	21,910	50,519	28,609
Interest and Rents:				
Earned Interest	5,500	5,500	12,087	6,587
Other:				
Refunds and Reimbursements	-	-	3,035	3,035
Other Revenues	1,000	1,000	100	(900)
Total Revenues	949,218	949,218	820,414	(128,804)
<u>Expenditures</u>				
Legislative:				
Township Board:				
Salaries and Wages	-	-	3,806	-
Supplies and Postage	-	-	2,947	-
Telephone	-	-	5,351	-
Accounting and Legal	-	-	608	-
Office Rent	-	-	19,512	-
Printing and Publishing	-	-	1,787	-
Utilities	-	-	2,054	-
Dues	-	-	3,146	-
Equipment Lease	-	-	5,965	-
Other	-	-	68	-
Total	29,450	29,450	45,244	(15,794)
Total Legislative	29,450	29,450	45,244	(15,794)
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	16,262	-
Total	16,262	16,262	16,262	-
Elections:				
Salaries and Wages	-	-	5,922	-
Office Supplies	-	-	3,369	-
Total	7,500	7,500	9,291	(1,791)

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Suttons Bay Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2007

Schedule 1
Page 2

	Budgetary Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Expenditures (Continued)				
General Government (Continued):				
Assessor:				
Salaries and Wages	-	-	31,732	-
Supplies and Postage	-	-	1,161	-
Total	31,700	31,700	32,893	(1,193)
Clerk:				
Salaries and Wages	-	-	23,767	-
Salaries – Deputy	-	-	161	-
Total	24,067	24,067	23,928	139
Board of Review:				
Salaries and Wages	-	-	910	-
Office Supplies	-	-	240	-
Printing and Publishing	-	-	206	-
Total	1,550	1,550	1,356	194
Treasurer:				
Salaries and Wages	-	-	25,306	-
Salaries – Deputy	-	-	380	-
Office Supplies	-	-	2,485	-
Postage	-	-	1,597	-
Total	31,257	31,257	29,768	1,489
Cemetery:				
Salaries and Wages	-	-	1,000	-
Contracted Services	-	-	1,382	-
Maintenance and Repairs	-	-	1,800	-
Total	18,500	18,500	4,182	14,318
Total General Government	130,836	130,836	117,680	13,156
Public Safety:				
Fire Protection:				
Contractual	-	-	309,749	-
Building	-	-	99,308	-
Total	347,000	470,000	409,057	60,943

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Suttons Bay Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2007

Schedule I
Page 3

	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures (Continued)				
Public Safety (Continued):				
Planning and Zoning:				
Salaries and Wages	-	-	73,798	-
Fringe Benefits	-	-	4,870	-
Office Supplies	-	-	1,241	-
Legal Fees	-	-	1,483	-
Printing and Publishing	-	-	605	-
Education	-	-	785	-
Total	<u>55,642</u>	<u>105,628</u>	<u>82,782</u>	<u>22,846</u>
Total Public Safety	<u>402,642</u>	<u>575,628</u>	<u>491,839</u>	<u>83,789</u>
Recreation and Culture:				
Parks:				
Printing and Publishing	-	-	110	-
Maintenance and Repairs	-	-	10,670	-
Total	<u>-</u>	<u>-</u>	<u>10,780</u>	<u>-</u>
Recreation:				
Recreation Program	-	-	1,700	-
Total	<u>-</u>	<u>-</u>	<u>1,700</u>	<u>-</u>
Library:				
Contractual Services	-	-	49,100	-
Total Recreation and Culture	<u>151,100</u>	<u>151,100</u>	<u>61,580</u>	<u>89,520</u>
Other:				
Insurance and Bonds	8,500	8,500	10,023	(1,523)
Fringe Benefits	4,200	4,200	5,318	(1,118)
Pension	7,600	7,600	7,674	(74)
Spring Cleanup	<u>2,500</u>	<u>2,500</u>	<u>2,272</u>	<u>228</u>
Total Other	<u>22,800</u>	<u>22,800</u>	<u>25,287</u>	<u>(2,487)</u>
Capital Outlay	<u>2,000</u>	<u>2,000</u>	<u>6,701</u>	<u>(4,701)</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Suttons Bay Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2007

Schedule 1
Page 4

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
Total Expenditures	<u>738,828</u>	<u>911,814</u>	<u>748,331</u>	<u>163,483</u>
Excess Revenues (Expenditures)	<u>210,390</u>	<u>37,404</u>	<u>72,083</u>	<u>34,679</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total	-	-	-	-
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	<u>\$ 210,390</u>	<u>\$ 37,404</u>	<u>72,083</u>	<u>\$ 34,679</u>
Fund Balance – Beginning of Year			<u>338,338</u>	
Fund Balance – End of Year			<u>\$ 410,421</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Suttons Bay Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Township Hall Fund
For the Year Ended March 31, 2007

Schedule 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Earned Interest	\$ -	\$ -	\$ 4,404	\$ 4,404
Total Revenues	-	-	4,404	4,404
<u>Expenditures</u>	-	-	-	-
Total	-	-	-	-
Excess Revenues (Expenditures)	-	-	4,404	4,404
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total	-	-	-	-
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	<u>\$ -</u>	<u>\$ -</u>	4,404	<u>\$ 4,404</u>
Fund Balance – Beginning of Year			151,526	
Fund Balance – End of Year			<u>\$ 155,930</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Suttons Bay Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Special Election Millage Fund For the Year Ended March 31, 2007

Schedule 3

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$ 85,000	\$ 85,000	\$ 108,143	\$ 23,143
Earned Interest	700	700	1,220	520
Other	-	-	183	183
Total Revenues	<u>85,700</u>	<u>85,700</u>	<u>109,546</u>	<u>23,846</u>
<u>Expenditures – Building Authority</u>	<u>82,320</u>	<u>100,000</u>	<u>104,670</u>	<u>(4,670)</u>
Total	<u>82,320</u>	<u>100,000</u>	<u>104,670</u>	<u>(4,670)</u>
Excess Revenues (Expenditures)	<u>3,380</u>	<u>(14,300)</u>	<u>4,876</u>	<u>19,176</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total	-	-	-	-
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	<u>\$ 3,380</u>	<u>\$ (14,300)</u>	<u>4,876</u>	<u>\$ 19,176</u>
Fund Balance – Beginning of Year			<u>67,060</u>	
Fund Balance – End of Year			<u>\$ 71,936</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Suttons Bay Township
Combining Balance Sheet
Non-Major Governmental Funds
March 31, 2007

Schedule 4

	Roads, Parks and General Improvement Fund	Fire Vehicle Replacement Fund	Cemetery Fund	Fire Building Replacement Fund	Total
<u>Assets</u>					
Cash in Bank	\$ 22,463	\$ -	\$ 2,527	\$ -	\$ 24,990
Total Assets	<u>\$ 22,463</u>	<u>\$ -</u>	<u>\$ 2,527</u>	<u>\$ -</u>	<u>\$ 24,990</u>
<u>Liabilities and Fund Equity</u>					
Liabilities:	\$ -	\$ -	\$ -	\$ -	\$ -
Total	-	-	-	-	-
Fund Equity:					
Fund Balance – Unreserved	<u>22,463</u>	<u>-</u>	<u>2,527</u>	<u>-</u>	<u>24,990</u>
Total	<u>22,463</u>	<u>-</u>	<u>2,527</u>	<u>-</u>	<u>24,990</u>
Total Liabilities and Fund Equity	<u>\$ 22,463</u>	<u>\$ -</u>	<u>\$ 2,527</u>	<u>\$ -</u>	<u>\$ 24,990</u>

The Notes to the Basic Financial statements are an integral part of this statement.

Tobin & Co.

Suttons Bay Township Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non-Major Governmental Funds March 31, 2007

Schedule 5

	Roads, Parks and General Improvement Fund	Fire Vehicle Replacement Fund	Cemetery Fund	Fire Building Replacement Fund	Total
Revenues					
Cemetery Lot Sales	\$ -	\$ -	\$ 200	\$ -	\$ 200
Earned Interest	701	356	77	357	1,491
Other	3,976	-	-	-	3,976
Total	4,677	356	277	357	5,667
Expenditures	11,840	22,731	-	33,005	67,576
Total	11,840	22,731	-	33,005	67,576
Excess Revenues (Expenditures)	(7,163)	(22,375)	277	(32,648)	(61,909)
Other Financing Sources (Uses)					
Operating Transfers In	-	-	-	6,825	6,825
Operating Transfers (Out)	-	(6,825)	-	-	(6,825)
Total	-	(6,825)	-	6,825	-
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	(7,163)	(29,200)	277	(25,823)	(61,909)
Fund Balance -- Beginning of Year	29,626	29,200	2,250	25,823	86,899
Fund Balance -- End of Year	\$ 22,463	\$ -	\$ 2,527	\$ -	\$ 24,990

The Notes to the Basic Financial statements are an integral part of this statement.

Tobin & Co.

Suttons Bay Township
Statement of Changes in Assets and Liabilities
Current Tax Collection Fund
For the Year Ended March 31, 2007

Schedule 6

	<u>Balance</u> <u>3/31/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
<u>Assets</u>				
Cash	\$ 388	\$ 5,791,315	\$ 5,786,143	\$ 5,560
Total Assets	\$ 388	\$ 5,791,315	\$ 5,786,143	\$ 5,560
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 388	\$ 5,791,315	\$ 5,786,143	\$ 5,560
Total Liabilities	\$ 388	\$ 5,791,315	\$ 5,786,143	\$ 5,560

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Suttons Bay Township 2006 Property Tax Levy and Collections For the Year Ended March 31, 2007

Schedule 7

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County Tax	4.9004	\$ 875,684	\$ 788,252	\$ 87,432
County Road	0.5000	94,022	82,755	11,267
County Senior	0.2463	46,310	40,760	5,550
County BATA	0.3317	62,371	54,896	7,475
School District – Suttons Bay	22.5435	2,314,567	2,023,575	290,992
School District – 45020	13.0013	50,741	48,843	1,898
School District – 45040	15.6689	654	654	-
Intermediate School District	2.9421	553,297	508,010	45,287
State Education	6.0000	1,127,758	1,036,023	91,735
Township Taxes:				
- General	0.5813	109,313	96,211	13,102
- Fire	1.8714	351,877	309,749	42,128
- Fire and Rescue Building	0.6000	112,817	99,308	13,509
Property Tax Administration Fee	1.0000	57,304	51,171	6,133
Recycling		<u>34,600</u>	<u>31,332</u>	<u>3,268</u>
Total		<u>\$ 5,791,315</u>	<u>\$ 5,171,539</u>	<u>\$ 619,776</u>
Percent of Levy Collected	89.30%			
State Equalized Value		\$280,980,227		
Taxable Value		\$188,039,926		

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Suttons Bay Township
Statement of Revenues, Expenditures and Balance
Property Tax Administration Fees
For the Year Ended March 31, 2007

Schedule 8

Revenues

Property Tax Administration Fees	\$ 51,252
Total Revenues	<u>51,252</u>

Expenditures

Assessor	32,893
Board of Review	1,356
Treasurer -- 60% of Salaries	15,412
Postage and Supplies	<u>4,082</u>
Total Expenditures	<u>53,743</u>

Excess Revenues (Expenditures) for the Year \$ (2,491)

The Notes to the Basic Financial Statements are an integral part of this statement.